

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name DOVER TOWNSHIP	County OTSEGO
Fiscal Year End 3-31-06	Opinion Date 6-21-06	Date Audit Report Submitted to State 10-12-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) DAN SMITH CPA		Telephone Number (989)732-1441	
Street Address 114 S CENTER AVENUE SUITE 108		City GAYLORD	State MI
Authorizing CPA Signature 		Printed Name DAN SMITH	Zip 49735
		License Number 20912	

**TOWNSHIP OF DOVER**  
**OTSEGO COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

## **TOWNSHIP OFFICIALS**

SUPERVISOR

THOMAS MURPHY

CLERK

JANET KWAPIS

TREASURER

DIANE HOUSE

## **TRUSTEES**

REBECCA HOUSE

CHET KOZLOWSKI

**DOVER TOWNSHIP**  
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DAN  
SMITH

CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

June 21, 2006

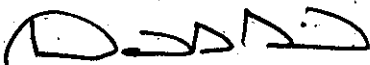
To the Township Board  
Dover Township  
Otsego County, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Dover, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Dover as of March 31, 2006; and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages II-IV and budgetary comparison information on pages 17-19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Daniel S. Smith, CPA

**DOVER TOWNSHIP**  
**2985 Marquardt Road**  
**Gaylord, MI 49735**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Dover Township's annual financial report presents our discussion and analysis of our financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements which immediately follow this section.

**Financial Highlights**

Overall revenues, as presented in the Statement of Activities, totaled \$149,786 which \$820 represents program revenues (charges for services and operating grants), and \$148,966 represents general revenues, primarily property tax dollars and State shared revenue.

Overall expenditures totaled \$85,820 for the Township as a whole.

The Township experienced an increase in net assets of \$63,966, due primarily from the conservative fiscal management of the Township Board.

The registered voter count is now at 537.

The taxable value of the Township for the 2005 tax year was \$41,921,757, up from \$40,424,887 2004.

**Overview of the Financial Statements**

This annual report consists of three parts: the management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business-type activities. The Township does not engage in business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Supplementary information further explains and supports the financial statements information with budgetary comparisons.

## **Government-Wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure an entity's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and specific transactions.

All of the activities of the Township are reported as governmental activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and they show proper expenditure of those resources. The fund financial statements are prepared using the modified accrual basis of accounting, reporting only current transactions.

## **Financial Analysis of the Township as a Whole**

Net Assets – the entity's combined net assets increased during the year ended March 31, 2006, to total \$428,670, of which \$31,158 is invested in capital assets.

This condition can be traced to the items noted in the "Financial Highlights" section of this letter.

## **Financial Analysis of the Township's Funds**

The Township has the following major fund:

*General Fund* – the General Fund is used to account for all activities not required to be accounted for in a separate fund. Revenues are derived primarily from property taxes and State shared revenue, with total revenues of \$149,786. General Fund expenditures totaled \$92,578. The major general fund expenditures were salaries, fire protection, and capital expenditures.

### **Financial Analysis of the Township's Funds (Continued)**

The Township also maintains a fiduciary fund for tax collection and disbursement activities. The Township acts as a fiduciary for assets that belong to others. These activities do not appear in the government-wide financial statements since the assets do not belong to the entity.

### **Capital Asset and Long-term Debt Activity**

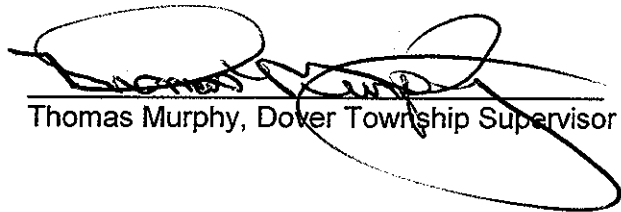
The Township purchased a generator (\$6,557) and a new furnace (\$3,849) as capital expenditures over the past year. The Township has no long-term debt.

### **Known Factors Affecting Future Operations**

The Township continues to monitor various road construction/repair projects.

### **Contracting Entity Management**

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report, please contact Supervisor Thomas Murphy.



Thomas Murphy, Dover Township Supervisor

**TOWNSHIP OF DOVER  
STATEMENT OF NET ASSETS  
MARCH 31, 2006**

**ASSETS**

**Current Assets:**

Cash	\$ 341,286
Receivables:	
Due from the Tax Account	25,499
Delinquent Taxes Receivable	25,967
State Shared Revenue	7,458
	<hr/>
Total Current Assets	400,210
	<hr/>

**Capital Assets:**

Capital Assets	69,406
Less, Accumulated Depreciation	(38,248)
	<hr/>
Total Capital Assets	31,158
	<hr/>

<b>Total Assets</b>	<b>431,368</b>
	<hr/> <hr/>

**LIABILITIES**

**Current Liabilities:**

Payroll Liabilities	774
Accounts Payable	1,924
	<hr/>
<b>Total Liabilities</b>	<b>2,698</b>
	<hr/>

**NET ASSETS**

Net Assets - Unrestricted	232,814
Net Assets - Restricted	164,698
Investment in Capital Assets	31,158
	<hr/>
<b>Total Net Assets</b>	<b>\$ 428,670</b>
	<hr/> <hr/>

See accompanying notes to the financial statements

**TOWNSHIP OF DOVER**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2006**

	P R O G R A M    R E V E N U E S				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
Township Administration	\$ (46,063)		\$ 570		\$ (45,493)
Fire Protection	(15,301)				(15,301)
Assessing	(9,430)				(9,430)
Buildings and Grounds	(8,736)	250			(8,486)
Landfill	(2,642)				(2,642)
Roads	-				-
Unallocated Depreciation	(3,648)				(3,648)
	(85,820)	250	570	-	(85,000)
GENERAL REVENUES					
Property Taxes					80,258
State Shared Revenue					43,928
Property Tax Admin. Fee					14,019
Interest Income					6,832
Miscellaneous					3,929
Total General Revenues					148,966
Changes In Net Assets					63,966
Net Assets - Beginning of Year					364,704
Net Assets - End of Year					\$ 428,670

See accompanying notes to the financial statements

**TOWNSHIP OF DOVER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2006**

	<b>GENERAL FUND</b>
<b>ASSETS</b>	
Cash	\$ 341,286
Receivables:	
Due from the Tax Account	25,499
Delinquent Taxes Receivable	25,967
State Shared Revenue	7,458
<b>Total Assets</b>	<b>400,210</b>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>Liabilities:</b>	
Accounts Payable	1,924
Payroll Liabilities	774
<b>Total Liabilities</b>	<b>2,698</b>
<b>Fund Equity:</b>	
Fund Balance - Unrestricted	232,814
Fund Balance - Restricted	164,698
<b>Total Fund Equity</b>	<b>397,512</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 400,210</b>

See accompanying notes to the financial statements

**TOWNSHIP OF DOVER  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006**

<b>TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES PER BALANCE SHEET - PAGE 3</b>	<b>\$ 397,512</b>
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Amounts reported for governmental activities in the Statement of Net Assets (Page 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not used in the funds	31,158
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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES PER STATEMENT OF NET ASSETS - PAGE 1</b>	<b>\$ 428,670</b>
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See accompanying notes to the financial statements

**TOWNSHIP OF DOVER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2006**

	<b>GENERAL FUND</b>
<b>REVENUES:</b>	
Property Taxes	\$ 80,258
State Shared Revenues	43,928
Charges for Services	14,589
Interest	6,832
Rents and Royalties	687
Miscellaneous	3,492
<b>Total Revenues</b>	<b>149,786</b>
<b>EXPENDITURES:</b>	
General Government	77,277
Fire	15,301
Roads	-
<b>Total Expenditures</b>	<b>92,578</b>
Excess of Revenues over Expenditures	57,208
<b>Fund Balance - Beginning of Year</b>	<b>340,304</b>
<b>Fund Balance - End of Year</b>	<b>\$ 397,512</b>

See accompanying notes to the financial statements.

**TOWNSHIP OF DOVER  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

<b>NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS - PAGE 5</b>	\$	57,208
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Amounts reported for governmental activities in the Statement of Activities (page 3) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives.		10,406
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Depreciation expense is recorded in the Statement of Activities but not in the governmental fund financial statements.		(3,648)
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<b>CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES PER THE STATEMENT OF ACTIVITIES - PAGE 2</b>	\$	63,966
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See accompanying notes to the financial statements

**TOWNSHIP OF DOVER  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
MARCH 31, 2006**

**ASSETS**

Cash - Tax Account	\$ 129,930
	129,930

**LIABILITIES**

Due to other Funds	25,499
Due to Other Governments	104,431
	129,930

**NET ASSETS**

Net Assets	\$ -
	-

See accompanying notes to the financial statements

**TOWNSHIP OF DOVER  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED MARCH 31, 2006**

**RECEIPTS:**

Property Taxes and Interest	\$ 969,926
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**DISBURSEMENTS:**

Property Taxes and Interest	969,926
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Changes in Fiduciary Net Assets	-
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<b>Fiduciary Net Assets - Beginning of Year</b>	-
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<b>Fiduciary Net Assets - End of Year</b>	<b>\$ -</b>
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See accompanying notes to the financial statements

**TOWNSHIP OF DOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2006**

**NOTE A: ENTITY**

The Township of Dover is a general law township of the State of Michigan located in Otsego County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Dover Township.

The Otsego County Fire Board provides fire protection services to the Township. The Board is comprised of several governmental units in Otsego County including Dover Township. The Township's cost of operating the department is shown as an expenditure of the general fund. The Township has no oversight responsibilities for the fire department.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Dover Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Dover Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF DOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF DOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and State shared revenues.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**TOWNSHIP OF DOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$41,921,757.

The tax rates for the year ended March 31, 2006, were as follows:

<b>PURPOSE</b>	<b>RATE/ASSESSED VALUATION</b>
General	0.9200 mills per \$1,000
Roads	1.0000 mills per \$1,000

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

**TOWNSHIP OF DOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET (CONTINUED)**

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets are adopted on March 31 of each year. There are no carryover budget items. During the year ended March 31, 2006, no over-expenditures were noted.

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$2,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Improvements, other than buildings	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**TOWNSHIP OF DOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

The Township currently has no long-term debt.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**NOTE C: CASH AND INVESTMENTS**

Cash consists of bank accounts or securities with original maturities of 90 days or less. Investments consist of certificates of deposit with original maturities in excess of 90 days.

All cash and investment deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

**TOWNSHIP OF DOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2006**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
Cash	\$ 345,853	\$ 100,000	\$ -	\$245,853	\$ 341,286
Trust & Agency	46,380	46,380	-	-	129,930

**NOTE D: DUE FROM/TO OTHER FUNDS**

This amount, \$25,499, represents undisbursed funds in the current tax collection fund that were due to the General Fund at March 31, 2006.

**NOTE E: CAPITAL ASSETS**

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS DEPRECIATED		
	Land	Building & Improvements	Equipment	Totals
<i>Governmental Activities</i>				
<i>Capital Assets</i>				
Balance, April 1, 2005	\$ 1,000	\$ 40,000	\$ 18,000	\$ 59,000
Increases	-	-	10,406	10,406
Decreases	-	-	-	-
Balance, March 31, 2006	<u>1,000</u>	<u>40,000</u>	<u>28,406</u>	<u>69,406</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2005	-	22,000	12,600	34,600
Increases	-	1,000	2,648	3,648
Decreases	-	-	-	-
Balance, March 31, 2006	<u>-</u>	<u>23,000</u>	<u>15,248</u>	<u>38,248</u>
<i>Capital Assets, Net</i>	<u>\$ 1,000</u>	<u>\$ 17,000</u>	<u>\$ 13,158</u>	<u>\$ 31,158</u>

Depreciation expense was not charged to functions of the Township - it is stated as "unallocated depreciation" on the Statement of Activities.

**NOTE F: LONG-TERM DEBT**

The Township had no long-term debt as of March 31, 2006.

**TOWNSHIP OF DOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE G: RESTRICTED FUND BALANCE/NET ASSETS**

In 1994, the Township began assessing one (1.000) mill for the purposes of road resurfacing and construction. These dollars are "restricted" for that purpose only. The dollars available for road work as of March 31, 2006 was \$164,698.

**NOTE H: PENSION PLAN**

The Township has a defined contribution pension plan covering all of its elected officials and full-time employees. The plan currently has 5 participants and is maintained with the Municipal Retirement Systems, Inc.

Total pension expense for the year was \$3,617 (12% of eligible compensation). Payments made to the plan vest immediately to the participants. The plan provides fully insured pension credits and each year's contribution is sufficient to fully fund the benefits earned during the year. Payments to the plan have been used only to purchase benefits and so there are no separate plan assets.

The Township's total payroll for the year was approximately \$29,694, all of which was covered by the pension plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**NOTE I: CONTINGENCIES**

**INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF DOVER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES</b>				
Property Taxes	\$ 82,321	\$ 82,321	\$ 80,258	\$ (2,063)
State Grants:				
State Shared Revenue	34,223	34,223	41,468	7,245
Swamp Tax	-	-	531	531
METRO Act	-	-	1,929	1,929
Charges for Services:				
Summer Tax Reimb.	-	-	570	570
Property Tax Admin. Fee	13,750	13,750	14,019	269
Rents & Royalties	550	550	687	137
Interest Income	500	500	6,832	6,332
Miscellaneous	4,263	4,263	3,492	(771)
<b>Total Revenues</b>	<b>135,607</b>	<b>135,607</b>	<b>149,786</b>	<b>14,179</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>Township Board:</b>				
Salaries - Trustees	3,953	3,953	3,953	-
Per Diem	1,650	1,650	900	750
Payroll Taxes	900	900	402	498
Retirement	3,750	3,750	3,797	(47)
Supplies	100	100	61	39
Contractual	1,200	1,200	1,123	77
Insurance	500	500	428	72
Dues & Subscriptions	1,400	1,400	1,852	(452)
Professional Services	5,000	5,000	2,075	2,925
Miscellaneous	200	200	801	(601)
<b>Total Township Board</b>	<b>18,653</b>	<b>18,653</b>	<b>15,392</b>	<b>3,261</b>
<b>Supervisor:</b>				
Salary	5,383	5,383	5,383	-
Per Diem	1,100	1,100	450	650
Supplies	100	100	-	100
Travel	200	200	-	200
<b>Total Supervisor</b>	<b>6,783</b>	<b>6,783</b>	<b>5,833</b>	<b>950</b>

**TOWNSHIP OF DOVER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Assessor:</b>				
Contractual Fee	8,786	8,786	8,786	-
Supplies	400	400	403	(3)
Postage	250	250	241	9
Travel	200	200	-	200
Capital Outlay	-	-	-	-
Total Assessor	9,636	9,636	9,430	206
<b>Clerk:</b>				
Salary	10,179	10,179	10,179	-
Per Diem	1,150	1,150	600	550
Supplies	250	250	443	(193)
Postage	150	150	113	37
Total Clerk	11,729	11,729	11,335	394
<b>Board of Review:</b>				
Wages	648	648	528	120
Supplies	100	100	74	26
Total Board of Review	748	748	602	146
<b>Treasurer:</b>				
Salary	10,179	10,179	10,179	-
Per Diem	1,250	1,250	300	950
Summer Tax Wage	1,013	1,013	1,013	-
Supplies	250	250	629	(379)
Postage	600	600	489	111
Travel & Education	300	300	216	84
Total Treasurer	13,592	13,592	12,826	766
<b>Election:</b>				
Wages	3,300	3,300	-	3,300
Supplies	200	200	75	125
Travel	200	200	-	200
Total Election	3,700	3,700	75	3,625

**TOWNSHIP OF DOVER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2006**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Township Hall:</b>				
Supplies	250	250	252	(2)
Insurance	3,000	3,000	2,680	320
Utilities	1,800	1,800	2,341	(541)
Repairs and Maintenance	4,000	4,000	12,879	(8,879)
Snow Removal	500	500	890	(390)
Miscellaneous	400	400	100	300
<b>Total Township Hall</b>	<b>9,950</b>	<b>9,950</b>	<b>19,142</b>	<b>(9,192)</b>
<b>Roads</b>	<b>42,216</b>	<b>42,216</b>	<b>-</b>	<b>42,216</b>
<b>Landfill</b>	<b>3,300</b>	<b>3,300</b>	<b>2,642</b>	<b>658</b>
<b>Total General Government</b>	<b>120,307</b>	<b>120,307</b>	<b>77,277</b>	<b>43,030</b>
<b>PUBLIC SAFETY</b>				
Fire Protection	15,300	15,300	15,301	(1)
<b>Total Expenditures</b>	<b>135,607</b>	<b>135,607</b>	<b>92,578</b>	<b>43,029</b>
Excess (Deficiency) of Revenues Over Expenditures	-	-	57,208	57,208
<b>Fund Balance - Beginning of Year</b>	<b>340,304</b>	<b>340,304</b>	<b>340,304</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>340,304</b>	<b>340,304</b>	<b>397,512</b>	<b>57,208</b>